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Arizona Corporation Commission

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BEFORE THE ARIZONA CORPORATION COMMISSION

DEC 06 2000

CARL J. KUNASEK

Chairman

JIM IRVIN

Commissioner

WILLIAM A. MUNDELL

Commissioner

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AZ CORP COMMISSION
DOCUMENT CONTROL

IN THE MATTER OF THE APPLICATION OF)
 MICHAEL A. CASTILLO FOR A)
 CERTIFICATE OF CONVENIENCE AND)
 NECESSITY TO PROVIDE CUSTOMER-OWNED)
 PAY TELEPHONE SERVICE.)

DOCKET NO. T-03929A-00-0695

STAFF'S FAIR VALUE RATE
BASE COMMENTS

Michael A. Castillo ("The Applicant") did not file a response to the October 2, 2000 Procedural Order's requirement that the Applicant file Fair Value Rate Base ("FVRB") information in support of its application for a Certificate of Convenience and Necessity ("CC&N"). The Applicant is not currently providing service in Arizona. The October 2, 2000 Procedural Order ordered the Utilities Division Staff ("Staff") to file disagreements with the proposed FVRB and/or rates and charges within 60 days of the date of the Procedural Order.¹ Staff hereby files its disagreements in accordance with the October 2, 2000 Procedural Order.

Staff's Substantive Comments.

The Applicant's lack of response to the ordered FVRB information provides insufficient information for Staff analysis and recommendation for a fair value finding in this case. At a minimum, Staff requires the following three items of information of the Applicant in order to make a FVRB recommendation. First, a dollar figure representing the Applicant's rate base is necessary for a FVRB analysis. This dollar figure should include all assets the Applicant will use to provide the proposed telecommunications services to its Arizona customers for the first twelve months of service and can include office space, office equipment, company vehicles, and other like items. Second, a FVRB analysis requires that the Applicant provide an estimate of its annual maximum revenues to be received in exchange for providing the proposed telecommunications services to its

¹ The October 2, 2000 Procedural Order also ordered Staff to review the FVRB information filed and ascertain that the Applicant is utilizing the appropriate amount of depreciation and capital carrying costs in determining its total service long-run incremental costs.

1 Arizona customers for the first twelve months of service assuming the maximum rates as filed in the
2 application. Third, a FVRB analysis requires that the Applicant provide an estimate of its annual
3 maximum expenses incurred in providing the proposed telecommunications services to its Arizona
4 customers for the first twelve months of services assuming the maximum rates as filed in the
5 application.

6 The October 2, 2000 Procedural Order referenced the Opinion of the Arizona Court of
7 Appeals, Division One in Cause No. 1 CA-CV 98-0672 ("Opinion"). Since the issuance of that
8 Opinion and the Procedural Order, several parties to that case have filed petitions for review of the
9 Opinion to the Arizona Supreme Court, including Staff, Electric Lightwave, Inc., AT&T, Sprint
10 Communications, MFS Intelnet, and Cox Arizona Telcom.

11 **Staff's Procedural Comments.**

12 Staff believes that in light of the current appeal status of the Opinion, that the Applicant
13 should have the choice of the following two procedural options in proceeding with its CC&N
14 application.

15 **Alternative #1:**

16 Staff recommends that if the Applicant wishes to have permanent rates set in this proceeding,
17 that it be ordered to file the three above-described FVRB information items within 30 days of the
18 date of any Commission order granting the requested CC&N, or at least 90 days prior to providing
19 service. The Applicant should be ordered to notify Staff within ten calendar days of providing
20 service. If there are any disagreements with any FVRB information the Applicant files, the Order
21 granting the Applicant's CC&N should be stayed pending resolution of those disagreements.

22 **Alternative #2:**

23 If the Applicant desires to proceed with its CC&N application without providing FVRB
24 information at this time, Staff believes that any tariffs filed in this matter should be reviewed and
25 approved on an interim basis. If a CC&N is conditionally granted and tariffs are authorized on an
26 interim basis, the Applicant should be required to file the three FVRB items with the Commission
27 within thirty days of any final court mandate on the Fair Value requirement, and failure to file the
28 information should result in the expiration of the conditional CC&N as well as expiration of any

1 approval to charge its tariffs on an interim basis. If there are any disagreements with any FVRB
2 information the Applicant files, the Order granting the Applicant's CC&N should be stayed pending
3 resolution of those disagreements.

4
5 RESPECTFULLY SUBMITTED this 6st day of December, 2000.

6 

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8 Arizona Corporation Commission
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13 The original and fifteen (15) copies
14 of the foregoing filed this 6st day
15 of December, 2000, with:

16 Docket Control
17 Arizona Corporation Commission
18 1200 West Washington Street
19 Phoenix, Arizona 85007

20 Copy of the foregoing was mailed
21 this 6st day of December, 2000 to:

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25 

26 Angela L. Bennett
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